

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6428

BILL NUMBER: SB 123

NOTE PREPARED: Feb 14, 2008

BILL AMENDED: Feb 14, 2008

SUBJECT: Grading and Certification of Meat Products.

FIRST AUTHOR: Sen. Jackman

FIRST SPONSOR: Rep. Battles

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill authorizes the State Board of Animal Health (SBAH) to provide voluntary grading and certification relating to meat and meat products. It provides that a person who knowingly or intentionally forges a grade or certification commits a Class D felony. The bill requires the SBAH to review, study, and make recommendations to the Legislative Council about claims made about milk, milk products, meat, and poultry marketed to the general public.

Effective Date: (Amended) Upon passage; July 1, 2008.

Explanation of State Expenditures: The SBAH may incur additional administrative expenses associated with grading and certifying meat. However, the program is voluntary both for meat producers and for the SBAH, and the SBAH is authorized to charge a fee to cover costs.

(Revised) *Study of Marketing of Milk Products.* The bill requires the SBAH to review, study, and make recommendations to the Legislative Council about claims made about milk products, meat, and poultry marketed to the general public. The SBAH will be able to accomplish this task given its existing level of resources.

Training of Inspectors. The U.S. Department of Agriculture (USDA) provides a 6-week training course on grading and certification. The course is free of charge to states. The only cost that would be incurred by the state would be the costs associated with travel to the training site, lodging, and per diem. Training locations vary. Specific costs will depend on the training site as well as how many inspectors are trained.

Fees and Liability. The board must adopt rules to set the fees. The SBAH will be able to provide

administrative assistance in the adoption of fees given its existing budget. Neither the board nor the state may incur any liability for lawful actions taken under these provisions.

Penalty Provision: A person who knowingly or intentionally forges a grade or certification commits a Class D felony. A Class D felony is punishable by a prison term ranging from six months to three years or reduction to Class A misdemeanor depending upon mitigating and aggravating circumstances. Assuming offenders can be housed in existing facilities with no additional staff, the marginal cost for medical care, food, and clothing is approximately \$1,825 annually, or \$5 daily, per prisoner. However, any additional expenditures are likely to be small. The average length of stay in Department of Correction (DOC) facilities for all Class D felony offenders is approximately ten months.

Background. Currently, the SBAH's meat inspection program targets sanitation. The SBAH maintained a staff of 53 meat and poultry inspectors as of June 2007. If trained, inspectors would grade the meat in the plant at the time of slaughter or after slaughter. The amount of time that the SBAH inspectors would spend on grading and certification would depend on demand. The SBAH has the option not to conduct the inspections if they prove too time consuming.

Some local restaurants may not use locally produced meat if the meat is not graded or certified. Currently, producers must pay a federal inspector from Chicago to grade or certify meat.

Explanation of State Revenues: *Fees.* The board must charge a fee to cover the cost of grading and certification. Meat producers would pay the fee either directly to the SBAH or through a slaughterhouse. Current fees for grading and certification are set by the USDA at \$61 to \$71 an hour. The specific fee depends on the frequency of use. Infrequent inspections could require the higher fee.

The bill does not specify that the fee should be deposited in a specific fund; it does, however, specify that the board must charge a fee to cover the costs of grading and certification. Of the total fee, 30% must be given to the USDA to cover its expense associated with supervising the program. The remainder could go to the SBAH to cover cost.

Currently, the SBAH Meat and Poultry Division is funded through a separate General Fund line-item appropriation of \$1,861,010 for FY 2008 and FY 2009.

Penalty Provision: If additional court cases occur and fines are collected, revenue to both the Common School Fund (from criminal fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class D felony is \$10,000. However, any additional revenues would likely be small.

Explanation of Local Expenditures: *Penalty Provision:* If more defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase. However, any additional expenditures would likely be small.

Explanation of Local Revenues: *Penalty Provision:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, the amounts would likely be small.

State Agencies Affected: DOC; SBAH.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Gary Haynes, Director of Legal Affairs, SBAH, 317-227-0349; *Indiana State Personnel Staffing Report*, June 10, 2007.

Fiscal Analyst: Bernadette Bartlett, 317-232-9586.